Kimou Environmental Holding Limited
金茂源環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6805)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue	**657,625**	554,251
Profit from operations	**136,705**	122,206
Profit attributable to equity shareholders of the Company	**49,706**	41,061
Basic earnings per share *(RMB)*	**0.04**	0.04
Diluted earnings per share *(RMB)*	**0.04**	0.04
Operating profit margin	**20.8%**	22.0%
Net profit margin	**6.2%**	6.9%

	At 30 June 2024	At 31 December 2023
Total assets	**5,134,612**	4,934,102
Net assets	**1,257,130**	1,242,575

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Kimou Environmental Holding Limited (the "**Company**" or "**Kimou**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2024 (the "**Period under Review**"), together with the comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2024	2023
	Note	***RMB'000***	*RMB'000*
Revenue	*3*	**657,625**	554,251
Other revenue	*5*	**9,503**	10,764
Depreciation and amortisation	*6(c)*	**(147,268)**	(127,362)
Cost of inventories	*6(c)*	**(221,802)**	(168,042)
Staff costs	*6(b)*	**(78,053)**	(67,634)
Utility costs	*6(c)*	**(19,442)**	(17,275)
Other expenses		**(75,237)**	(61,510)
Other net income/(loss)		**15,336**	(42)
Impairment losses on trade receivables		**(3,957)**	(944)
Profit from operations		**136,705**	122,206
Finance costs	*6(a)*	**(70,737)**	(65,590)
Profit before taxation	*6*	**65,968**	56,616
Income tax	*7*	**(25,387)**	(18,173)
Profit for the period		**40,581**	38,443
Attributable to:			
Equity shareholders of the Company		**49,706**	41,061
Non-controlling interests		**(9,125)**	(2,618)
Profit for the period		**40,581**	38,443
Earnings per share *(RMB)*			
Basic and diluted	*8*	**0.04**	0.04

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024 — unaudited
(Expressed in Renminbi)

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Profit for the period	**40,581**	38,443
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of entities not using Renminbi ("**RMB**") as functional currency	**(1,912)**	(2,571)
Total comprehensive income for the period	**38,669**	35,872
Attributable to:		
Equity shareholders of the Company	**47,794**	38,490
Non-controlling interests	**(9,125)**	(2,618)
Total comprehensive income for the period	**38,669**	35,872

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 — unaudited
(Expressed in Renminbi)

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment	9	**1,997,051**	1,976,986
Investment property	10	**1,492,046**	1,533,286
Construction in progress		**159,255**	109,522
Right-of-use assets	11	**476,753**	362,523
Intangible assets		**5,575**	4,483
Interest in associates		**3,515**	2,974
Other financial assets		**3,122**	3,914
Other receivables	12	**38,643**	69,682
Deferred tax assets		**43,926**	47,982
Total non-current assets		**4,219,886**	4,111,352
Current assets			
Inventories		**59,625**	29,254
Trade and other receivables	12	**410,760**	313,152
Non-current assets held for sale		**143,315**	153,685
Deposits with a bank with original maturity date over three months		**30,000**	–
Restricted deposits with banks		**47,054**	49,907
Cash and cash equivalents		**223,972**	276,752
Total current assets		**914,726**	822,750
Current liabilities			
Trade and other payables	13	**802,286**	793,076
Contract liabilities		**11,116**	8,583
Bank loans and other borrowings	14	**984,593**	938,923
Lease liabilities		**1,821**	1,762
Current taxation		**20,021**	17,711
Total current liabilities		**1,819,837**	1,760,055
Net current liabilities		**(905,111)**	(937,305)
Total assets less current liabilities		**3,314,775**	3,174,047

	Note	At 30 June 2024 RMB'000	At 31 December 2023 RMB'000
Non-current liabilities			
Bank loans and other borrowings	*14*	**1,938,190**	1,811,757
Lease liabilities		**12,520**	13,446
Deferred income		**104,787**	100,419
Deferred tax liabilities		**2,148**	5,850
Total non-current liabilities		**2,057,645**	1,931,472
Net assets		**1,257,130**	1,242,575
Capital and reserves			
Share capital		**97,283**	97,412
Reserves		**982,987**	1,035,578
Total equity attributable to equity shareholders		**1,080,270**	1,132,990
Non-controlling interests		**176,860**	109,585
Total equity		**1,257,130**	1,242,575

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The unaudited interim financial information was extracted from the interim financial report of Kimou Environmental Holding Limited (the "**Company**") and its subsidiaries (together the "**Group**") for the six months ended 30 June 2024.

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("**HKAS**") 34, *Interim Financial Reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). It was authorised for issue on 23 August 2024.

At 30 June 2024, the Group's current liabilities exceeded its current assets by RMB905,111,000 (31 December 2023: RMB937,305,000). The directors of the Company have confirmed that, based on future projection of the Group's cash flows from operations and the anticipated ability of the Group to renew or rollover its banking facilities and other financing sources to finance its continuing operations and its planned and/or committed capital expenditure for the next twelve months from the end of the reporting period of the interim financial report, the Group has adequate resources to continue to operate as a going concern throughout the next twelve months and that there are no material uncertainties related to events or conditions which, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

2. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current ("2020 amendments")*
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants ("2022 amendments")*
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures — Supplier finance arrangements*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. REVENUE AND SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments. No operating segments have been aggregated to form the following reportable segments.

— Rental and facilities usage: this segment conducts industrial park property development and management business.

— Wastewater treatment and utilities: this segment operates electroplating wastewater treatment plants and provides services of utilities.

— Sales of goods and ancillary business: this segment includes sales of materials and consumables and provision of other related environmental services to customers.

(a) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major service lines is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major service lines		
— Facilities usage and management service	**160,479**	154,281
— Wastewater treatment and utilities	**237,436**	206,912
— Sales of goods and ancillary business	**190,229**	128,501
	588,144	489,694
Revenue from other sources		
Gross rentals from investment properties	**69,481**	64,557
	657,625	554,251

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 3(b) and 3(d).

(b) Information about profit or loss

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	Rental and facilities usage		Wastewater treatment and utilities		Sales of goods and ancillary business		Total	
For the six months ended 30 June	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition								
Point in time	**–**	–	**237,436**	206,912	**190,229**	128,501	**427,665**	335,413
Over time	**229,960**	218,838	**–**	–	**–**	–	**229,960**	218,838
Revenue from external customers	**229,960**	218,838	**237,436**	206,912	**190,229**	128,501	**657,625**	554,251
Inter-segment revenue	**9,147**	9,342	**–**	–	**13,698**	24,711	**22,845**	34,053
Reportable segment revenue	**239,107**	228,180	**237,436**	206,912	**203,927**	153,212	**680,470**	588,304
Reportable segment profit (adjusted EBITDA)	**217,973**	201,441	**65,652**	48,535	**16,463**	11,468	**300,088**	261,444
Depreciation and amortisation	**(129,043)**	(115,684)	**(17,206)**	(10,839)	**(1,019)**	(839)	**(147,268)**	(127,362)

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before finance costs, interest income, income tax, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as share of profits/(losses) of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

(c) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Reportable segment profit derived from the Group's external customers	**300,088**	261,444
Depreciation and amortisation	**(147,268)**	(127,362)
Finance costs	**(70,737)**	(65,590)
Interest income	**1,273**	1,110
Unallocated head office and corporate expenses	**(17,388)**	(12,986)
Consolidated profit before taxation	**65,968**	56,616

(d) Geographic information

Substantially all of the Group's revenue and non-current assets are generated and located in the People's Republic of China ("**the PRC**").

4. SEASONALITY OF OPERATIONS

Wastewater treatment and utilities and sales of goods and ancillary business of the Group is subject to seasonal factors. Demand for wastewater treatment and utilities and sales of goods and ancillary services is usually less in long holidays of Chinese New Year and National Day than the rest of the year. Any reduction in consumption volume of services during these low seasons may have an adverse impact on revenue.

For the twelve months ended 30 June 2024, the Group reported revenue of RMB1,281,788,000 (twelve months ended 30 June 2023: RMB1,115,089,000).

5. OTHER REVENUE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest income	**1,273**	1,110
Government grants		
— Unconditional subsidies	**2,159**	3,084
— Conditional subsidies	**5,058**	5,118
Other income	**1,013**	1,452
	9,503	10,764

Government grants represent various forms of incentives and subsidies granted to the Group by the local government authorities in the PRC.

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Interest on bank loans and other borrowings	**70,283**	73,546
Interest on lease liabilities	**454**	265
Interest expense on deferred consideration payable	**–**	3,271
Less: interest expense capitalised into properties and plant under development	**–**	(11,492)
	70,737	65,590

The borrowing costs have been capitalised at a rate of 5.46% to 6.25% per annum during the six months ended 30 June 2023.

(b) Staff costs (including directors' emoluments)

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**71,524**	61,858
Retirement scheme contributions	**6,529**	5,776
	78,053	67,634

The Group has no other material obligations for payments of pension benefits beyond the contributions above.

(c) Other items

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Depreciation and amortisation		
— Property, plant and equipment	**93,992**	82,499
— Investment property	**47,560**	39,897
— Right-of-use assets	**5,152**	4,579
— Intangible assets	**564**	387
	147,268	127,362
Cost of inventories (i)		
— Cost of inventories — sold	**161,066**	107,221
— Cost of inventories — consumption	**60,736**	60,821
	221,802	168,042
Share of profits/(losses) of associates	**141**	(100)
Net loss arising from disposal of property, plant and equipment	**69**	365
Net gain arising from disposal of non-current assets held for sale	**(11,066)**	(1,171)
Utility costs	**19,442**	17,275
Research and development expenses	**7,560**	6,134

(i) Cost of inventories mainly represented goods sold to customers and raw materials consumed during the provision of electroplating wastewater treatment services.

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Current tax — PRC income tax		
Provision for the period	**25,033**	19,958
Deferred tax		
Origination and reversal of temporary differences	**354**	(1,785)
	25,387	18,173

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(iii) Taxable income for the subsidiaries of the Company in the PRC is subject to PRC income tax rate of 25%, unless otherwise specified below.

Huizhou Jinmaoyuan Environmental Technology Co., Ltd. ("**Huizhou Jinmaoyuan**"), Tianjin Bingang Electroplating Enterprises Management Co., Ltd. ("**Tianjin Bingang**") and Jinyuan (Jingzhou) Environmental Technology Co., Ltd. ("**Jingzhou Jinyuan**") were qualified as "High and New Technology Enterprises" and entitled to the preferential income tax rate of 15% from 2021 to 2023, 2022 to 2024 and 2022 to 2024, respectively. Huizhou Jinmaoyuan was expected to pass the review and obtain qualification by the end of December 2024, with a temporary enterprise income tax rate of 15% in 2024.

Huizhou Jinmaoyuan was engaged in the operation of environmental protection, energy and water conservation, related taxable income was qualified for income tax exemption for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(iv) Pursuant to the relevant law in the PRC, from 1 January 2008, non-resident enterprises without an establishment or place of business in the PRC or which have an establishment or place of business in the PRC but whose relevant income is not effectively connected with the establishment or a place of business in the PRC, will be subject to withholding tax at the rate of 10% (unless reduced by tax treaty) on various types of passive income such as dividends derived from sources within the PRC. Pursuant to the Sino-Hong Kong Double Tax Arrangement and the related regulations, a qualified Hong Kong tax resident will be liable to a reduced withholding tax rate of 5% on dividends from a PRC enterprise if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interest of the PRC enterprise. As at 30 June 2024, the Group's subsidiary in Hong Kong had obtained the Certificate of Resident Status of the Hong Kong Special Administrative Region and therefore had adopted the withholding tax rate at 5% (six months ended 30 June 2023: 10%) for PRC withholding tax.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB49,706,000 (six months ended 30 June 2023: RMB41,061,000) and the weighted average number of 1,107,750,000 ordinary shares (six months ended 30 June 2023: 1,110,138,000 ordinary shares) in issue during the interim period, calculated as follows:

	2024	2023
	'000	*'000*
Issued ordinary shares at 1 January	**1,107,750**	1,113,014
Effect of shares repurchased	**–**	(2,876)
Weighted average number of ordinary shares at 30 June	**1,107,750**	1,110,138

(b) Diluted earnings per share

During the six months ended 30 June 2024 and 2023, there were no dilutive potential ordinary shares issued.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, additions to property, plant and equipment of RMB114,142,000 (six months ended 30 June 2023: RMB216,503,000) mainly represented properties for own use and wastewater treatment equipment in industrial parks.

As at 30 June 2024, certain property, plant and equipment with carrying value of RMB777,373,000 (31 December 2023: RMB854,445,000) were pledged to secure the Group's bank loans and other borrowings (note 14(iv)).

10. INVESTMENT PROPERTY

During the six months ended 30 June 2024, additions to investment property of RMB15,920,000 (six months ended 30 June 2023: RMB20,587,000) mainly represented properties in industrial parks and leased apartments to earn rental income.

The Group's investment properties are stated at cost less accumulated depreciation.

As at 30 June 2024, the fair value of the Group's investment property, excluding leased properties to earn rental income, was approximately RMB2,643,160,000 (31 December 2023: RMB2,660,690,000). The fair value is determined by the directors of the Company with reference to mainly the valuation performed, using the income capitalisation approach with reference to the term value and the reversionary value calculated by discounting the contracted annual rent at the capitalisation rate over the existing lease period, and the sum of average unit market rent at the capitalisation rate after the existing lease period, by an independent qualified professional valuer.

As at 30 June 2024, certain investment property with carrying value of RMB955,839,000 (31 December 2023: RMB1,054,064,000) were pledged to secure the Group's bank loans and other borrowings (note 14(iv)).

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2024, additions to right-of-use assets of RMB125,688,000 mainly represented land-use rights in industrial parks (six months ended 30 June 2023: leased apartments for own use of RMB2,148,000).

As at 30 June 2024, certain land-use rights with carrying value of RMB166,212,000 (31 December 2023: RMB177,754,000) were pledged to secure the Group's bank loans and other borrowings (note 14(iv)).

12. TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade receivables and bills receivables, based on the invoice date and net of loss allowance, is as follows:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Current		
Within 1 month	**212,989**	143,138
1 to 3 months	**27,159**	20,503
4 to 6 months	**8,554**	5,833
Over 6 months	**5,558**	2,240
Trade receivables and bills receivables	**254,260**	171,714
Deductible input value-added tax ("**VAT**")	**128,319**	122,954
Prepayments and other receivables	**20,303**	13,762
Deposits for other borrowings (note 14(iv))	**6,550**	–
Amounts due from related parties	**1,328**	4,722
	410,760	313,152
Non-current		
Prepayments for purchase of property, plant and equipment	**36,643**	7,132
Deposits for other borrowings (note 14(iv))	**–**	8,550
Deposits for constructions and acquisition of land-use rights	**2,000**	54,000
	38,643	69,682
Total	**449,403**	382,834

All of the trade and other receivables, apart from those classified as non-current portion, are expected to be recovered or recognised as expense within one year.

Trade receivables and bills receivables are due within 15 to 90 days from the date of billing or bills receivable issuance.

13. TRADE AND OTHER PAYABLES

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 1 month	**61,853**	64,605
1 to 3 months	**12,150**	10,483
4 to 6 months	**2,333**	3,102
Over 6 months	**1,148**	1,299
Trade payables	**77,484**	79,489
Deposits due to customers	**223,362**	214,386
Payables for equipment and construction	**195,823**	260,562
Interest payables	**3,318**	6,704
Payroll payables	**19,844**	29,866
Amounts due to related parties	**2,856**	1,170
Receipts in advance for properties prepaid by third parties	**151,486**	175,449
Consideration for acquisition of non-controlling interests	**655**	655
Dividend payables (note 15)	**100,514**	–
Others	**26,944**	24,795
Total	**802,286**	793,076

Deposits due to customers represented the rental and facilities usage deposits, which might be repayable to customers after more than one year. All of the other trade payables, other payables, accruals and amounts due to related parties are expected to be settled within one year or are repayable on demand.

The credit period granted by the suppliers is 30 to 90 days.

14. BANK LOANS AND OTHER BORROWINGS

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Secured and guaranteed bank loans (iii)(iv)(v)	**2,614,755**	2,679,963
Secured other borrowings (i)(iii)(iv)(v)	**306,884**	69,573
Unsecured and unguaranteed other borrowings (ii)(iii)	**1,144**	1,144
Total	**2,922,783**	2,750,680

As at 30 June 2024, the bank loans and other borrowings were repayable as follows:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Within 1 year or on demand	**984,593**	938,923
After 1 year but within 2 years	**457,234**	356,004
After 2 years but within 5 years	**1,164,023**	1,026,750
After 5 years	**316,933**	429,003
Sub-total	**1,938,190**	1,811,757
Total	**2,922,783**	2,750,680

(i) Secured other borrowings represent loans received from financial institutions other than banks in the PRC.

(ii) As at 30 June 2024, unsecured and unguaranteed other borrowings represented loan from a non-controlling shareholder of a subsidiary with a fixed-interest rate at 6% per annum, and are repayable in December 2028.

(iii) As at 30 June 2024, bank loans amounted to RMB2,419,081,000 (31 December 2023: RMB2,106,540,000) were floating-interest rate loans with interest rates ranged from 3.45% to 7.26% (31 December 2023: 3.45% to 7.26%). Bank loans and other borrowings amounted to RMB503,702,000 (31 December 2023: RMB644,140,000) were fixed-interest rate borrowings with interest rates ranged from 3.60% to 8.76% (31 December 2023: 3.70% to 8.67%).

(iv) Secured bank loans and other borrowings as at 30 June 2024 and 31 December 2023 were secured by certain of the Group's charge rights of rental income, equity interests of certain subsidiaries of the Group in the PRC, property, plant and equipment (note 9), investment property (note 10), land-use rights (note 11), deposits for other borrowings (note 12) and pledged deposits. As at 30 June 2024, bank loans and other borrowings amounted to RMB2,921,409,000 (31 December 2023: RMB2,746,889,000) were guaranteed by certain directors of the Company, close family members of directors, non-controlling shareholders of the Company or non-controlling shareholders of certain subsidiaries of the Group in the PRC.

(v) Bank loans and other borrowings amounted to RMB2,922,553,000 as at 30 June 2024 (31 December 2023: RMB2,749,486,000) are subject to the fulfillment of covenants, which are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. In addition, pursuant to the terms of the bank loan agreements, certain subsidiaries are not allowed to distribute profit and/or to obtain other external financing prior to the lenders' approval. As at 30 June 2024, none of the covenants relating to drawn down facilities had been breached (31 December 2023: Nil).

15. DIVIDENDS

(a) Dividends

(i) No interim dividends were proposed to equity shareholders of the Company attributable to the interim period after the end of the reporting period (six months ended 30 June 2023: Nil).

(ii) Dividend payables to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved during the interim period, of HKD0.10 per ordinary share (six months ended 30 June 2023: HKD0.05 per ordinary share)	**100,514**	49,289

As at 30 June 2024, the final dividend in respect of the previous financial year has not been paid, the remaining RMB100,514,000 has been recognised as "dividend payables" (note 13).

As at 30 June 2023, RMB10,564,000 of final dividend in respect of the previous financial year has been paid, the remaining RMB38,725,000 has been recognised as "dividend payables".

(b) Purchase and cancellation of own shares

During six months ended 30 June 2024, the Company did not repurchase its own shares on the Stock Exchange of Hong Kong Limited. As at 30 June 2024, the Company has cancelled all shares repurchased.

During six months ended 30 June 2023, the Company repurchased 1,960,000 shares in total on the Stock Exchange of Hong Kong Limited for an aggregate price of HKD1,964,000 (equivalent to RMB1,712,000). As at 30 June 2023, the Company has cancelled all shares purchased.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group develops and operates large-scale Surface Treatment Recycling Eco-industrial Parks in the PRC which are specifically designed for the electroplating industry. For the Period under Review, the Group's revenue was approximately RMB657.6 million (six months ended 30 June 2023: approximately RMB554.3 million), representing an increase of approximately RMB103.3 million from that of the corresponding period in 2023, the profit attributable to the equity shareholders of the Company was approximately RMB49.7 million (six months ended 30 June 2023: approximately RMB41.1 million), representing an increase of approximately RMB8.6 million from that of the corresponding period in 2023. During the Period under Review, the profit attributable to the equity shareholders of the Company increased mainly due to the increase in the Group's revenue.

OUR SURFACE TREATMENT RECYCLING ECO-INDUSTRIAL PARKS

The Group currently operates five Surface Treatment Recycling Eco-industrial Parks which are strategically located in Huizhou, Guangdong Province ("**Guangdong Huizhou Park**"), Tianjin ("**Tianjin Bingang Park**"), Jingzhou, Hubei Province ("**Huazhong Park**"), Qingshen, Sichuan Province ("**Qingshen Park**") and Taixing, Jiangsu Province ("**Huadong Park**") in order to enjoy convenient transportation network and be in close proximity to our customers where most of the PRC electroplating enterprises are located.

Total leasable area and occupancy rate

Set out below is the total leasable area and occupancy rate of the Group's five Surface Treatment Recycling Eco-industrial Parks:

	As at 30 June										
	2024						2023 (Restated)				
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Huazhong Park**	**Qingshen Park**	**Huadong Park**	**Total**	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Qingshen Park	Total
Total leasable area (sq.m.) *(note)*	**501,000**	**316,000**	**142,000**	**100,000**	**125,000**	**1,184,000**	501,000	329,000	143,000	105,000	1,078,000
Total leased area (sq.m.) *(note)*	**470,000**	**275,000**	**82,000**	**49,000**	**119,000**	**995,000**	476,000	291,000	59,000	37,000	863,000
Occupancy Rate	**93.8%**	**87.0%**	**57.7%**	**49.0%**	**95.2%**	**84.0%**	95.0%	88.5%	41.3%	35.2%	80.1%

Note: Rounded to the nearest thousand. The total leased area includes the area for which a formal lease agreement has been signed and the area for which a reservation agreement has been made. For the total leased area and occupancy rate of Guangdong Huizhou Park, Huazhong Park and Qingshen Park, they were restated so as to reflect the reservation agreements that were made as at 30 June 2023.

The Group offers factory premises in standard floor areas in which the tenants can choose to lease or buy single or multiple floors according to their operational needs. The Group also leases land to tenants to construct their own plants according to the requirements of the Group. As at 30 June 2024, the total leasable area of Guangdong Huizhou Park, Tianjin Bingang Park, Huazhong Park, Qingshen Park and Huadong Park were approximately 501,000 sq.m., 316,000 sq.m., 142,000 sq.m., 100,000 sq.m. and 125,000 sq.m., respectively while their occupancy rates were 93.8%, 87.0%, 57.7%, 49.0% and 95.2%, respectively.

Wastewater treatment capabilities

Set out below is the wastewater treatment capability of the Group's five Surface Treatment Recycling Eco-industrial Parks:

2024

	Six months ended 30 June					
	Guangdong Huizhou Park	**Tianjin Bingang Park**	**Huazhong Park**	**Qingshen Park**	**Huadong Park**	**Total**
Fresh water used (tonnes) *(note)*	**1,339,000**	**343,000**	**113,000**	**22,000**	**80,000**	**1,897,000**
Daily wastewater treatment capacity (tonnes) *(note)*	**10,000**	**6,000**	**2,500**	**5,000**	**4,000**	**27,500**
Annual average daily wastewater treatment handling capacity (tonnes)	**7,398**	**1,895**	**624**	**122**	**442**	**10,481**
Annual average utilisation rate of daily wastewater treatment capacity	**74.0%**	**31.6%**	**25.0%**	**2.4%**	**11.0%**	**38.1%**

2023

	Six months ended 30 June			
	Guangdong Huizhou Park	Tianjin Bingang Park	Huazhong Park	Total
Fresh water used (tonnes) *(note)*	1,222,000	359,000	28,000	1,609,000
Daily wastewater treatment capacity (tonnes) *(note)*	10,000	6,000	2,500	18,500
Annual average daily wastewater treatment handling capacity (tonnes)	6,791	1,992	156	8,939
Annual average utilisation rate of daily wastewater treatment capacity	67.9%	33.2%	6.2%	48.3%

Note: Rounded to the nearest thousand.

The factory premises of the five Surface Treatment Recycling Eco-industrial Parks of the Group have pre-installed conduits which direct the electroplating wastewater generated by the park's tenants to the Group's centralised wastewater treatment facilities. The Group has also built the systems for (i) recycling the treated wastewater back to the tenants for reuse; and (ii) discharging the rest of the treated wastewater through channels. These facilities are fundamental and of core importance to the daily operations of the tenants.

Qingshen Park and Huadong Park began trial operation in the fourth quarter of 2022 and the third quarter of 2023, respectively, so little fresh water was used in Qingshen Park and Huadong Park during the Period under Review.

RESEARCH AND DEVELOPMENT

To keep enhancing the effectiveness of wastewater treatment process and reuse rate of treated wastewater is the long term objective and the social responsibility of the Group. With our experienced and knowledgeable research and development team and in cooperation with Tsinghua Shenzhen International Graduate School, the Group has been gradually transforming itself into an integrated wastewater treatment service provider. The Group had obtained 158 patents and 50 patent applications were in the progress of registration as at 30 June 2024.

SALES AND MARKETING

The Group conducts marketing and promotion activities and builds customers relationship through participation in domestic exhibitions and seminars. During the Period under Review, the Group did not participate in exhibitions or seminars.

OUTLOOK

China's environmental protection policies are becoming increasingly stringent with the government environmental protection department gradually tightening the emission standards for wastewater, waste gas and solid waste. Local governments have been actively promoting the clustering and scaling development of electroplating industry, guiding electroplating enterprises to engage in centralised production and management, and adopting intensive operational practice to achieve economies of scale and promote sustainable economic development.

As a leader in electroplating industrial parks, we have been grasping the development trend of the industry, adhering to our core business of wastewater treatment, leveraging on a broader capital market and constructing parks at suitable sites to increase leasable area. The Group will continue to focus on environmental protection related businesses, and will also actively explore the businesses of hazardous and solid waste and recycling of waste materials to achieve green, low-carbon and circular development as well as revenue growth.

Increase ground floor area available for leasing

The Group has acquired the land use rights of certain pieces of land in Taixing City, Jiangsu Province, China to further develop the plant located in Huadong Park. Upon completion, the leasable area of the Group will increase by approximately 340,000 sq.m.. For details of the acquisition, please refer to the Company's announcement dated 11 March 2024.

Improve the wastewater treatment capabilities of the Surface Treatment Recycling Eco-industrial Parks

The Group has submitted the application to the relevant government authorities to increase the daily maximum wastewater treatment capacity of Guangdong Huizhou Park from 10,000 tonnes to 15,000 tonnes. As at the date of this announcement, the Group's application is still under review by the local government authorities.

RESULTS OF OPERATION

The Group's business mainly involves the provision of factory premises and centralised wastewater treatment services to the tenants at the Guangdong Huizhou Park, the Tianjin Bingang Park, the Huazhong Park, the Qingshen Park and the Huadong Park. The Group's main business can be categorised into three business segments, namely, (1) rental and facilities usage; (2) wastewater treatment and utilities; and (3) sales of goods and ancillary business.

Revenue

For the Period under Review, the Group's revenue amounted to approximately RMB657.6 million, representing an increase of approximately 18.7% over that of the corresponding period in 2023, primarily due to the increase in revenue from the segments of sales of goods and ancillary business.

	Six months ended 30 June										
	2024						2023				
Revenue by segment	Guangdong Huizhou Park *RMB'000*	Tianjin Bingang Park *RMB'000*	Huazhong Park *RMB'000*	Qingshen Park *RMB'000*	Huadong Park *RMB'000*	Total *RMB'000*	Guangdong Huizhou Park *RMB'000*	Tianjin Bingang Park *RMB'000*	Huazhong Park *RMB'000*	Qingshen Park *RMB'000*	Total *RMB'000*
Rental and facilities usage											
Rental of factory premises	**41,313**	**16,132**	**4,006**	**2,076**	**5,954**	**69,481**	42,135	18,004	3,315	1,103	64,557
Property management fee	**8,053**	**3,449**	**905**	**632**	**1,427**	**14,466**	8,520	3,601	754	349	13,224
Environmental protection technical service fee	**89,504**	**40,728**	**6,288**	**3,854**	**5,639**	**146,013**	90,954	44,775	4,937	391	141,057
Sub-total	**138,870**	**60,309**	**11,199**	**6,562**	**13,020**	**229,960**	141,609	66,380	9,006	1,843	218,838
Wastewater treatment and utilities											
Wastewater treatment fee	**91,379**	**23,328**	**9,813**	**1,300**	**4,879**	**130,699**	82,803	24,152	2,331	347	109,633
Steam charge	**35,408**	**19,441**	**3,731**	**830**	**2,616**	**62,026**	35,339	20,461	1,934	190	57,924
Utility systems maintenance fee	**27,846**	**13,101**	**1,876**	**338**	**1,550**	**44,711**	25,261	13,128	876	90	39,355
Sub-total	**154,633**	**55,870**	**15,420**	**2,468**	**9,045**	**237,436**	143,403	57,741	5,141	627	206,912
Sales of goods and ancillary business											
Sales of raw materials and consumables	**165,484**	**4,515**	**1,514**	**655**	**23**	**172,191**	107,014	5,212	1,519	–	113,745
Other income	**12,320**	**4,897**	**737**	**30**	**54**	**18,038**	10,033	3,931	791	1	14,756
Sub-total	**177,804**	**9,412**	**2,251**	**685**	**77**	**190,229**	117,047	9,143	2,310	1	128,501
Total	**471,307**	**125,591**	**28,870**	**9,715**	**22,142**	**657,625**	402,059	133,264	16,457	2,471	554,251

Revenue from rental and facilities usage service

The revenue from rental and facilities usage service increased by approximately RMB11.2 million or 5.1% from approximately RMB218.8 million for the six months ended 30 June 2023 to approximately RMB230.0 million for the Period under Review. The increase was primarily attributable to the increase in total average daily leased area.

Revenue from wastewater treatment and utilities

Income from this business segment comprises of wastewater treatment fee, steam charge and utility systems maintenance fee, which are chargeable on our tenants based on the actual volume of fresh water, steam and utility consumed, respectively.

(i) Wastewater treatment fee

Wastewater treatment fee increased by approximately RMB21.1 million or 19.3% from approximately RMB109.6 million for the six months ended 30 June 2023 to approximately RMB130.7 million for the Period under Review. The increase was primarily attributable to the effect of the increase in fresh water consumption resulting from the increase in leased areas for the Period under Review.

(ii) Steam charge

Steam charge increased by approximately RMB4.1 million or 7.1% from approximately RMB57.9 million for the six months ended 30 June 2023 to approximately RMB62.0 million for the Period under Review. The increase was primarily attributable to the effect of the increase in steam consumption resulting from the increase in leased areas for the Period under Review.

(iii) Utility systems maintenance fee

The Group charges its tenants for using its electricity and water supply systems, based on their consumption volume of those utilities. During the Period under Review, over 99% of the utility systems maintenance fee was derived from utilisation of the electricity system.

The utility systems maintenance fee increased by approximately RMB5.3 million or 13.5% from approximately RMB39.4 million for the six months ended 30 June 2023 to approximately RMB44.7 million for the Period under Review. The increase was primarily attributable to the combined effects of the increase in volume of electricity consumed and water used due to the increase in leased areas during the Period under Review.

Revenue from sales of goods and ancillary business

Sales of goods and ancillary business is mainly comprised of sales of materials and consumables which accounted for 90.5% (six months ended 30 June 2023: 88.5%) of this business segment.

Sales of raw materials and goods increased by approximately RMB58.5 million or 51.5% from approximately RMB113.7 million for the six months ended 30 June 2023 to approximately RMB172.2 million for the Period under Review. The increase was primarily attributable to the combined effects of the adjustment of sales strategy and the increase in demand of tenants during the Period under Review.

Operating costs

The Group's operating costs primarily consisted of depreciation and amortisation, cost of inventories, staff costs, utility costs and other expenses.

Operating costs increased by approximately RMB100.0 million or 22.6% from approximately RMB441.8 million for the six months ended 30 June 2023 to approximately RMB541.8 million for the Period under Review. The increase in operating costs was primarily attributable to the increase in the depreciation and amortisation and cost of inventories of the Group.

Depreciation and amortisation

The Group's depreciation and amortisation increased by approximately RMB19.9 million or 15.6% from approximately RMB127.4 million for the six months ended 30 June 2023 to approximately RMB147.3 million for the Period under Review. The increase was mainly attributable to the commencement of provision for depreciation and amortisation of the Huadong Park as a result of official operation in September 2023.

Cost of inventories

Cost of inventories mainly consisted of raw materials for wastewater treatment and natural gas for production of steam and goods for sale to the tenants.

Cost of inventories increased by approximately RMB53.8 million or 32.0% from approximately RMB168.0 million for the six months ended 30 June 2023 to approximately RMB221.8 million for the Period under Review, primarily attributable to the combined effects of the increase in materials used due to the increase in wastewater treatment and the increase of costs due to the increase in goods sold.

Staff costs

Staff costs comprised of staff's salaries, bonuses and other benefits as well as Directors' remuneration. For the Period under Review, the staff costs amounted to approximately RMB78.1 million, representing an increase of 15.4% as compared with approximately RMB67.6 million for the six months ended 30 June 2023. The increase was mainly due to the effect of the increase in number of employees due to business development needs during the Period under Review.

Utility costs

Utility costs mainly comprised of costs of electricity and water consumed throughout the wastewater treatment processes, production of steam and for other activities such as lighting and gardening inside the Surface Treatment Recycling Eco-industial Parks. Utility costs increased by approximately RMB2.1 million or 12.5%, from approximately RMB17.3 million for the six months ended 30 June 2023 to approximately RMB19.4 million for the Period under Review. The increase was mainly attributable to the increase in electricity and water consumption resulting from the increase in wastewater treatment.

Other expenses

Other expenses primarily consisted of professional service fees, waste treatment expenses, other taxes and surcharges, security charges and others, as set out below:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Professional service fees	**11,118**	5,954
Waste treatment expenses	**7,887**	7,839
Other taxes and surcharges	**21,577**	18,361
Security charges	**3,706**	3,301
Maintenance and consumables expenses	**5,143**	5,720
Research and development fees	**7,560**	6,134
Consultancy service fee	**1,289**	933
Business entertainment fees	**5,492**	4,556
Cleaning expenses	**2,771**	2,055
Travelling expenses	**1,793**	2,202
Others	**6,901**	4,455
Total	**75,237**	61,510

Other expenses increased by approximately RMB13.7 million or 22.3%, from approximately RMB61.5 million for the six months ended 30 June 2023 to approximately RMB75.2 million for the Period under Review, primarily attributable to the combined effects of (i) the increase in professional and consultancy service fees due to the needs of business development; (ii) the increase in other taxes and surcharges resulting from the addition of revenue and investment properties; and (iii) the increase in research and development expenses for technical improvement during the Period under Review.

Other revenue

Other revenue primarily consisted of bank interest income, government grants, and others. Other revenue decreased by approximately RMB1.3 million or 11.7%, from approximately RMB10.8 million for the six months ended 30 June 2023 to approximately RMB9.5 million for the Period under Review. Such decrease was mainly due to the decrease in government grants.

Finance costs

Finance costs primarily comprised of interest on bank loans and other borrowings. Finance costs increased by approximately RMB5.1 million or 7.8%, from approximately RMB65.6 million for the six months ended 30 June 2023 to approximately RMB70.7 million for the Period under Review. The increase in finance costs was attributable to the increase in the average balance of bank loans and other borrowings during the Period under Review.

Income tax

Income tax increased by approximately RMB7.2 million from approximately RMB18.2 million for the six months ended 30 June 2023 to approximately RMB25.4 million for the Period under Review, which was primarily attributable to the combined effects of the increase in the Group's taxable income and the increase in withholding tax arising from the distribution of dividends by a PRC subsidiary to a Hong Kong subsidiary during the Period under Review.

Profit attributable to the equity shareholders of the Company

Profit attributable to the equity shareholders of the Company increased by approximately RMB8.6 million from approximately RMB41.1 million for the six months ended 30 June 2023 to approximately RMB49.7 million for the Period under Review, the increase was mainly attributable to the factors as described above.

Bank loans and other borrowings

As at 30 June 2024, the total amount of bank loans and other borrowings of the Group was approximately RMB2,922.8 million (31 December 2023: RMB2,750.7 million), in which 98.3% (31 December 2023: 98.2%) were denominated in RMB.

Net current liabilities and sufficiency of working capital

The table below sets out our current assets, current liabilities and net current liabilities as at 30 June 2024.

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Current assets	**914,726**	822,750
Current liabilities	**(1,819,837)**	(1,760,055)
Net current liabilities	**(905,111)**	(937,305)

As at 30 June 2024 and 31 December 2023, the total net current liabilities of the Group amounted to approximately RMB905.1 million and RMB937.3 million, respectively. In light of the Group's current liquidity position, the unutilised banking facilities available to the Group and our projected cash inflows to be generated from operations, the Directors believe that the Group has adequate resources to meet the Group's present capital requirements and for the next 12 months.

Capital management

The Group's primary objectives in managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders of the Company, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholders returns that might be possible with higher level of borrowings and the advantages and security offered by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted net debt-to-equity ratio (net debt divided by total equity). For this purpose, net debt is defined as the remaining balance of bank loans, other borrowings and lease liabilities less cash and cash equivalents, deposits with a bank with original maturity date over three months and restricted deposits with banks.

The Group's adjusted net debt-to-equity ratio was as follows:

	At 30 June 2024 *RMB'000*	At 31 December 2023 *RMB'000*
Current liabilities:		
Bank loans and other borrowings	**984,593**	938,923
Lease liabilities	**1,821**	1,762
	986,414	940,685
Non-current liabilities:		
Bank loans and other borrowings	**1,938,190**	1,811,757
Lease liabilities	**12,520**	13,446
	2,937,124	2,765,888
Less: Cash and cash equivalents	**(223,972)**	(276,752)
Deposits with a bank with original maturity date over three months	**(30,000)**	–
Restricted deposits with banks	**(47,054)**	(49,907)
Net debt	**2,636,098**	2,439,229
Total equity	**1,257,130**	1,242,575
Adjusted net debt-to-equity ratio	**2.10**	1.96

Capital Expenditure

During the Period under Review, the Group funded its capital expenditure with cash generated from operating activities and bank loans and other borrowings. For the Period under Review, the Group's capital expenditure amounted to approximately RMB305.6 million (for the six months ended 30 June 2023: RMB286.2 million), mainly attributable to acquisition of investment property, property, plant and equipment, and other intangible assets.

Pledged assets

As at 30 June 2024, the Group had certain property, plant and equipment and investment property with carrying value of approximately RMB777.4 million and approximately RMB955.8 million, respectively (31 December 2023: approximately RMB854.4 million and approximately RMB1,054.1 million, respectively), land-use rights with net book value of approximately RMB166.2 million (31 December 2023: approximately RMB177.8 million), deposits for other borrowings with carrying value of RMB6.6 million (31 December 2023: RMB8.6 million), and restricted bank deposits with carrying value of RMB47.1 million (31 December 2023: RMB46.8 million) were pledged as security for the bank loans and other borrowings with carrying value of approximately RMB2,921.4 million (31 December 2023: approximately RMB2,749.5 million).

Please refer to note 14(iv) of the Notes to the Unaudited Interim Financial Information of this announcement for particulars of guarantees made by the connected persons of the Company in favour of the Group for securing the Group's liabilities. Such guarantees are conducted on normal commercial terms or better and are not secured by the assets of the Group.

Capital commitments

As at 30 June 2024, the Group's total capital expenditure which has been contracted for but not incurred were approximately RMB399.0 million (31 December 2023: RMB186.6 million) for the development of the utility tunnel and ancillary facilities of Guangdong Huizhou Park, the development of wastewater treatment and ancillary facilities of the Tianjin Bingang Park and Qingshen Park and the development of the factory premises of Huazhong Park and Huadong Park and other equipment. These capital expenditures were mainly financed by internal resources and bank loans and other borrowings.

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2024.

FOREIGN EXCHANGE RISK

Individual companies within the Group have limited foreign currency risk as most of the transactions are denominated in the same currency as the functional currency of the operations in which they relate. However, as the principal subsidiaries mainly carried out transactions in RMB, therefore any appreciation or depreciation of Hong Kong dollar against RMB will affect the Group's financial position and be reflected in the exchange reserve.

During the Period under Review, the Group did not use any financial derivatives to hedge against any foreign exchange risks.

INTEREST RATE RISK

The Group's interest rate risk arises primarily from bank loans issued at variable rates that expose the Group to interest rate risk. The Group's management closely monitored the Group's loan portfolio in order to manage the Group's interest rate risk exposure.

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, deposits with a bank with original maturity date over three months and restricted deposits with banks is limited because the counterparties are banks and financial institutions, for which the Group considers having low credit risk.

LIQUIDITY RISK

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's Board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Cash and cash equivalents held by the Group are mainly denominated in RMB.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL AND OTHER MATERIAL TRANSACTION

Discloseable Transaction relating to Purchase of and Sales of Mobile Phones

On 5 March 2024, Huizhou Jinzefeng Trading Co., Ltd.* ("**Huizhou Jinzefeng**"), an indirect wholly-owned subsidiary of the Company, entered into the purchase agreement with Shenzhen Nanqi Technology Co., Ltd.*("**Vendor**"), pursuant to which the Vendor agreed to sell and Huizhou Jinzefeng agreed to purchase refurbished mobile phones at a total consideration of RMB20,058,000. Huizhou Jinzefeng also entered into the sales agreement with Yifeng Trading (Guangdong) Co., Ltd.* ("**Purchaser**") on 5 March 2024, pursuant to which Huizhou Jinzefeng agreed to sell and the Purchaser agreed to purchase refurbished mobile phones at a total consideration of RMB20,178,000. In addition, within a 12-month period prior to and inclusive of the date of entering into of the abovementioned purchase agreement and sales agreement, the Group had also entered into several purchase agreements and sales agreements with certain vendors and purchasers, in order to purchase and sale of refurbished mobile phones. For further details, please refer to the announcements of the Company dated 5 March 2024 and 3 April 2024.

Acquisitions of Land Use Rights in Jiangsu Province, the PRC

On 11 March 2024, the Group has successfully bid and won the public tender for the land use right of a parcel of land situated at the side of the high-grade highway along the river in the Circular Economy Industrial Park（循環經濟產業園西江路南側、長江北路西側）, Taixing City, Jiangsu Province, the PRC, with a total site area of approximately 175,321 square metres ("**Taixing Land 3**"), and signed the confirmation letter confirming the winning of the tender of the land use right of Taixing Land 3. The acquisition of the land use right of Taixing Land 3 together with the acquisitions of the land use rights of a parcel of land situated at the side of the high-grade highway along the river in the Circular Economy Industrial Park（循環經濟產業園沿江高等級公路側）, Taixing City, Jiangsu Province, the PRC, with a total site area of approximately 2,284 square metres ("**Taixing Land 1**") and a parcel of land situated at the side of the high-grade highway along the river in the Circular Economy Industrial Park（循環經濟產業園沿江高等級公路側）, Taixing City, Jiangsu Province, the PRC, with a total site area of approximately 44,608 square metres ("**Taixing Land 2**") are to be used for the development of a surface treatment recycling eco-industrial park in Jiangsu Province for the expansion of the Group's principal business. For further details, please refer to the announcement of the Company dated 11 March 2024.

Save as disclosed above, there was no other significant investment, material acquisition or disposal of subsidiaries, associates or joint ventures or other material transaction during the Period under Review.

* *For identification purposes only*

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

On 22 April 2024, the Company cancelled the remaining 1,426,000 repurchased shares of the Company that were repurchased in 2023.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period under Review.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2024, the Group had 985 full-time employees (30 June 2023: 867 full-time employees) responsible for management, operation, property management, procurement, testing, maintenance, customer services, research and development, finance and administrative matters. The employee costs (including the Directors' remuneration) were approximately RMB78.1 million for the Period under Review, which was an increase of approximately 15.4% as compared with approximately RMB67.6 million for the six months ended 30 June 2023. The remuneration for the Directors and senior management members is based on their qualifications, work experience, job duties and position with the Group. The Group has implemented an annual review system to assess the performance of its employees, which forms the basis of the determinations on salary raises, discretionary bonuses and promotion.

The Group has also established various welfare plans including the provision of basic medical insurance, unemployment insurance and other relevant insurance to its employees pursuant to the PRC rules and regulations and the existing policy requirements of the local government. The Group has also made contributions to statutory mandatory provident fund scheme for its employees in Hong Kong.

The Group puts great emphasis on staff training. The Group arranges orientation programs for newly hired staff to familiarize them with the Company's working environment and culture. The Group also regularly provides employees with on-the-job trainings so as to ensure their work performances will meet the Group's strategic goals, operating standards, customers and regulatory requirements.

The Company adopted a share option scheme on 18 June 2019 for the purpose of providing incentives and rewards to eligible directors and employees of the Group. During the period from the date of adoption of the share option scheme and up to the date of this announcement, no share option under the share option scheme was granted.

CHANGE IN DIRECTORS

With effect from 1 January 2024, Mr. Zhu Heping has resigned as an executive Director of the Company and also ceased to be the chief executive officer (the "**Chief Executive Officer**") of the Company. With effect from the same day, Mr. Huang Qiyang has been appointed as an executive Director and the Chief Executive Officer. For details, please refer to the Company's announcement dated 1 January 2024 in relation to, among other things, the change of executive Director and Chief Executive Officer.

EVENTS AFTER THE REPORTING PERIOD

With effect from 23 August 2024, Mr. Cheung Ka Tsun has been appointed as an executive Director. For details, please refer to the Company's announcement dated 23 August 2024 in relation to the appointment of executive Director.

Save as disclosed in this announcement and so far as the Group is aware after having made reasonable enquiries, there were no other significant events affecting the Group which have occurred since 30 June 2024 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted and committed to a code of corporate governance, containing the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code ("**Code Provisions**") during the Period under Review.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding its Directors' securities transactions. The Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry, all Directors have confirmed that they have complied with the required standard set out in the Model Code throughout the Period under Review.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Board established the audit committee (the "**Audit Committee**") on 18 June 2019. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Liu Da, Mr. Kan Chung Nin, Tony SBS, JP and Mr. Li Xiaoyan. Mr. Liu Da is the chairman of the Audit Committee. None of them is a member of the former or existing auditors of the Company.

Details of the terms of reference of the Audit Committee are set out on the Company's website and the website of the Stock Exchange. The primary duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control and risk management systems, and to formulate or review policies relating to anti-bribery compliances by ensuring regular management review of relevant corporate governance measures and its implementation and to communicate with external auditors on the audit procedures and accounting issues. The Audit Committee has reviewed the unaudited interim results of the Group, which has also been reviewed by the Company's external auditor, KPMG, Certified Public Accountants, in accordance with Hong Kong Standard on Review Engagement 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by HKICPA.

INTERIM DIVIDEND

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and of the Company (www.kimou.com.cn). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company who request the printed copies and published on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Company would like to take this opportunity to thank all of its valued shareholders and various stakeholders for their continuous support. Also, the Company would like to express its appreciation to all the staff for their efforts and commitments to the Group.

By Order of the Board
Kimou Environmental Holding Limited
Zhang Lianghong
Chairman

Hong Kong, 23 August 2024

As at the date of this announcement, the Board comprises Mr. Zhang Lianghong (Chairman), Mr. Huang Qiyang (Chief Executive Officer), Mr. Lee Kin Ming, Mr. Huang Shaobo and Mr. Cheung Ka Tsun as executive Directors, and Mr. Li Xiaoyan, Mr. Kan Chung Nin, Tony SBS, JP and Mr. Liu Da as independent non-executive Directors.